

Town of Roff, Oklahoma

**Financial Statements and Report
of Independent Accountants**

**As of and For the Year Ending
June 30, 2021**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Town of Roff, Oklahoma

Report on the Financial Statements

We have audited the accompanying modified cash-basis financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Roff, Oklahoma as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Roff, Oklahoma, as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note One.

Basis of Accounting

We draw attention to Note One of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis and budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 7, 2022 on our consideration of the Town of Roff, Oklahoma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Roff, Oklahoma's internal control over financial reporting and compliance.



Oklahoma City, Oklahoma
September 7, 2022

Town of Roff, Oklahoma
Statement of Net Position - Modified Cash Basis - Government Wide
For the Year Ended June 30, 2021

	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets:			
Cash in bank - unrestricted	108,034.59	27,068.46	135,103.05
Cash in bank - restricted	77,649.90	22,166.52	99,816.42
Total current assets	<u>185,684.49</u>	<u>49,234.98</u>	<u>234,919.47</u>
Noncurrent assets:			
Capital Assets	390,583.01	79,161.08	469,744.09
Total noncurrent assets	<u>390,583.01</u>	<u>79,161.08</u>	<u>469,744.09</u>
Total assets	<u>\$ 576,267.50</u>	<u>\$ 128,396.06</u>	<u>\$ 704,663.56</u>
Liabilities			
Current liabilities			
Meter deposits	-	19,678.92	19,678.92
Current Portion of Long-Term Debt	32,203.94	10,684.24	42,888.18
Total current liabilities	<u>32,203.94</u>	<u>30,363.16</u>	<u>62,567.10</u>
Noncurrent Liabilities			
Notes Payable Net of Current Portion	205,244.56	217,278.78	422,523.34
Total Liabilities	<u>237,448.50</u>	<u>247,641.94</u>	<u>485,090.44</u>
Net Assets			
Invested in capital assets, net of related debt	153,134.51	(148,801.94)	4,332.57
Restricted	77,649.90	22,166.52	99,816.42
Unrestricted	108,034.59	7,389.54	115,424.13
Total net assets	<u>338,819.00</u>	<u>(119,245.88)</u>	<u>219,573.12</u>
Total liabilities and net assets	<u>\$ 576,267.50</u>	<u>\$ 128,396.06</u>	<u>\$ 704,663.56</u>

The accompanying notes are an integral part of these financial statements.

Town of Roff, Oklahoma
Statement of Activities - Modified Cash Basis - Government Wide
For the Year Ending June 30, 2021

Functions/Programs	Net (Expense) Revenue and				
	Changes in Net Assets				
	Primary Government				Total
	Program Revenues	Grants and Contributions	Governmental Activities	Business - Type Activities	
Expenses	Charges for Services				
Primary government					
Governmental activities					
General government	258,417.22	-	(258,417.22)	-	(258,417.22)
Police Department	98,736.65	-	(98,736.65)	-	(98,736.65)
Fire Department	148,061.65	-	(148,061.65)	-	(148,061.65)
Street Department	33,171.96	-	(33,171.96)	-	(33,171.96)
Total governmental activities	538,387.48		(538,387.48)		(538,387.48)
Business-type activities					
Water Department	232,462.08	136,718.05	-	(95,744.03)	-
Sewer Department	45,283.48	71,533.50	-	26,250.02	-
Sanitation department	76,480.73	40,889.18	-	(35,591.55)	35,591.55
Total business-type activities	354,226.29	249,140.73		(105,085.56)	35,591.55
Total primary government	\$ 892,613.77	\$ 249,140.73	\$ (538,387.48)	\$ (105,085.56)	\$ (502,795.93)
General revenues:					
Sales and Use Taxes - Unrestricted			409,118.84	-	409,118.84
Sales and Use Taxes - Restricted			67,387.09	-	67,387.09
Other Taxes			34,739.39	-	34,739.39
Other Income			168,848.16	15,985.00	184,833.16
Transfers In (Out)			(81,087.06)	81,087.06	
Total general revenues			599,006.42	97,072.06	696,078.48
Change in net assets			60,618.94	(8,013.50)	52,605.44
Net assets - beginning			278,200.06	(111,232.16)	166,967.90
Net assets - ending			\$ 338,819.00	\$ (119,245.66)	\$ 219,573.34

The accompanying note are an integral part of these financial statements.

Town of Roff, Oklahoma
Balance Sheet - Modified Cash Basis - Governmental Funds
For the Year Ended June 30, 2021

	General Fund
Assets	
Cash in bank - unrestricted	108,034.59
Cash in bank - restricted	77,649.90
Total assets	<u>\$ 185,684.49</u>
Liabilities	
Fund Balances	
Unassigned	108,034.59
Restricted	77,649.90
Net assets	<u>185,684.49</u>
 Total liabilities and net assets	 <u>\$ 185,684.49</u>
 <i>Reconciliation of Total Governmental Fund Balance to Net Assets of Governmental Activities as of June 30, 2021</i>	
Total Governmental Fund Balances	185,684.49
 Amounts reported for governmental activities in the statement of net position are different because:	
Long-Term Debt is not reported in the fund financial statements	(237,448.50)
Capital assets used in governmentmmental activities are not financial resources and and therefore are not reported in the fund financial statements. therefore are not reported in the fund financial statements.	 390,583.01
Net Assets of Governmental Activities	<u><u>\$ 338,819.00</u></u>

The accompanying notes are an integral part of these financial statements.

Town of Roff, Oklahoma
Statement of Revenues, Expenditures, and Changes in Net Assets - Modified Cash Basis -
Governmental Funds
For the Year Ending June 30, 2021

	General Fund
Revenues	
Sales taxes	265,893.71
Franchise Tax	18,057.18
Gas and motor vehicle taxes	5,059.87
Cigar and cigarette taxes	1,831.89
Alcoholic beverage taxes	11,622.34
Use Tax	208,780.33
Other revenues	168,848.16
Total revenues	680,093.48
Expenditures	
Debt Service	31,051.40
Salaries and wages	238,145.02
Maintenance and operations	231,816.74
Professional Services	10,988.00
Interest	9,284.20
Total expenditures	521,285.36
Operating Revenues in Excess of Expenditures	158,808.12
Other Financing Sources (Uses)	
Transfers in (Out)	(81,087.06)
Net Change in Fund Balance	77,721.06
Beginning Fund Balance	108,648.74
Fund balance at end of year	\$ 217,297.48
 <i>Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities for the Year Ending June 30, 2021</i>	
Net change in Fund Balance - governmental funds	77,721.06
Depreciation expense is recorded in the government wide financial statements but not recorded in the fund financial statements	(48,153.52)
Debt Service is not an expenditure on the government wide statements	31,051.40
Change in Government Wide Net Assets	\$ 60,618.94

The accompanying notes are an integral part of these financial statements.

Town of Roff, Oklahoma
Statement of Net Position - Modified Cash Basis -
Proprietary Fund
For the Year Ended June 30, 2021

	<u>Public Works Authority</u>
Assets	
Current Assets	
Cash and Cash Equivalents (unrestricted)	23,549.22
Cash and Cash Equivalents (restricted)	25,685.76
Total Current Assets	<u>49,234.98</u>
Noncurrent Assets	
Capital Assets, net of Accumulated Depreciation	<u>79,161.08</u>
Total Assets	<u><u>128,396.06</u></u>
Liabilities	
Current Liabilities	
Note Payable - current portion	10,684.24
Meter Deposit Liability	19,678.92
Noncurrent Liabilities	
Note Payable, net of current portion	<u>217,278.78</u>
Total Liabilities	<u>247,641.94</u>
Net Position	
Net Investment in Capital Assets	(148,801.94)
Unrestricted Cash	23,549.22
Restricted Cash	6,006.84
Total Net Position	<u>(119,245.88)</u>
Liabilities and Net Position	<u><u>\$ 128,396.06</u></u>

The accompanying notes are an integral part of these financial statements

Town of Roff, Oklahoma
Statement of Revenues, Expenses, and Changes in Fund Net
Position - Modified Cash Basis - Proprietary Fund
For the Year Ended June 30, 2021

Operating Revenues

Charges for Services:	
Sewer	71,533.50
Water	136,718.05
Sanitation	40,889.18
Other Revenues	15,985.00
Total Operating Revenues	<u>265,125.73</u>

Operating Expenses

Maintenance & Operations	117,791.20
Professional Services	7,399.88
Personal Services	157,788.92
Depreciation	12,673.33
Other Services & Charges	48,064.14
Total Operating Expenses	<u>343,717.47</u>
Operating Income (Loss)	(78,591.74)
Nonoperating Revenues (Expenses)	
Interest Expense	<u>10,509.04</u>
Income (Loss) before transfers	(89,100.78)
Transfers In (Out)	<u>81,087.06</u>
Change in Net Position	<u>(8,013.72)</u>
Net Position - Beginning	(111,232.16)
Net Position - Ending	<u><u>\$ (119,245.88)</u></u>

The accompanying notes are an integral part of these financial statements.

Town of Roff, Oklahoma
Statement of Cash Flows - Modified Cash Basis - Proprietary Fund
For the Year Ended June 30, 2021

Cash Flows From Operating Activities	
Receipts from Customers	265,125.73
Payments to Suppliers	(173,255.22)
Payments to Employees	<u>(157,788.92)</u>
Net Cash Provided (Used) by Operating Activities	(65,918.41)
Cash Flows from Noncapital Financing Activities	
Transfers In	81,087.06
Cash Flows from Capital and Related Financing Activities	
Principal Paid on Capital Debt	(10,214.96)
Cash Flows from Investing Activities	
Interest	(10,509.04)
Capital Expenditures	<u>(11,471.50)</u>
Total Cash Flows from Investing Activities	(21,980.54)
Net Increase (Decrease) in Cash	<u>(17,026.85)</u>
Beginning Balance	<u>66,361.83</u>
Ending Balance	<u><u>\$ 49,234.98</u></u>
<i>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</i>	
Operating Income (Loss)	(78,591.74)
Depreciation Expense	<u>12,673.33</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (65,918.41)</u></u>

The accompanying notes are an integral part of these financial statements.

Town of Roff, Oklahoma
Notes to the Basic Financial Statements
For the Year Ended June 30, 2021

Note 1-Summary of Significant Accounting Policies

Financial Reporting Entity

The Town of Roff, Oklahoma is a statutory town Government under Oklahoma Statutes. The Town provides the following services: public safety, streets and highways, sanitation, public improvements, public works and general administrative services.

The criteria used to determine which accounting entities, agencies, commissions, boards and authorities are part of the Town's operations include how the budget is adopted, whether debt is secured by general obligation of the Town, the Town's duty to cover any deficits that may occur, and supervision over the accounting functions. Any separate accounting entities would be considered component units. There are no agencies, organizations or activities meeting any of the above criteria that are excluded from the Town's reporting entity. As of June 30, 2021, the Town had only one component unit, the Roff Public Works Authority.

Basis of Presentation-Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The Town's funds are grouped into two governmental fund types, general funds and special revenue funds. Proprietary funds include enterprise funds. As of June 30, 2021, the Town had governmental funds consisted of the general fund. The proprietary funds consisted of the Roff Public Works Authority.

Basis of Accounting

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities display information about the Town, the primary government, as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the modified cash basis of accounting. Revenues are recognized when collected and expenses are recognized when paid. This is the same approach used in the preparation of the proprietary fund financial statements. The fund financial statements also use the modified cash basis of accounting. The government-wide statements record fixed assets and long-term debt as assets and liabilities. The fund financial statements record fixed assets as expenditures. The fund financial statements records the proceeds of long term debt as a revenue and the repayment of long term debt as an expenditures. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect and program revenues for each segment of the business-type activities of the Town and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Indirect expenses for centralized services and administrative overhead are

allocated among programs, functions and segments using a full cost allocation approach and are presented separately to enhance comparability of direct expenses between governments that allocate direct expenses and those that do not. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program.

Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the Town.

FUND FINANCIAL STATEMENTS

Fund financial statements report detailed information about the Town. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

PROPRIETARY FUNDS

The proprietary funds use standards issued by the Financial Accounting Standard Board whenever possible, if no FASB pronouncement is applicable, then Government Accounting Standards Board pronouncements are used

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less for the date of acquisition. Restricted cash consists of monies held in conjunction with the Roff Public Works Authority's meter deposits requirements and various construction projects.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditures of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental funds. Encumbrances are not recognized as the equivalent of expenditures; therefore, the reserve for encumbrances is reported as part of the fund balance on the balance sheet. However, it should be noted that the Town did not recognize any outstanding reserves as of June 30, 2021.

Budget

In accordance with Oklahoma Statutes, Title 11, Section 3002, the Town Council formally adopts annual budgets which include substantially all funds. These annual budgets are adopted on a basis consistent with the guidelines established by the Oklahoma Municipal Budget Act.

Risk Management

Significant losses are covered by commercial insurance for all Town operations.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Government-wide Proprietary Fund Net Assets

Government-wide and proprietary fund net assets are divided into three components:

- a. Invested in capital assets, net of related debt- consist of the historical cost of capital assets, loan proceeds that have not been spent less accumulated depreciation and less any debt that remains.
- b. Restricted net assets, consist of net assets that are restricted by the Town's creditors, by the state enabling legislation, by grantors and by other contributors.
- c. Unrestricted, all other net assets are reported in this category.

Governmental Fund Balances

- a. Nonspendable, amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.
- b. Restricted, amounts that can be spent only for specific purposes because of the Town's ordinances, state or federal law, or externally imposed conditions by grantors or creditors.
- c. Committed, amounts that can be used only for specific purposes determined by a formal action by Board of Trustee's resolution.
- d. Assigned, amounts that are designated by the Board of Trustees

Use of Restricted Resources

When an expense is incurred that can be paid using either restricted or unrestricted resources (net assets) the Town's policy is to first apply the expense toward the restricted resources and then toward unrestricted resources. In governmental funds, the town's policy is to first apply the expenditure toward restricted fund balances and then to other, less-restrictive classifications – committed and then assigned fund balances before using unassigned fund balances.

Note 2-Deposits with Financial Institutions

The accounts of the Town are required by state law to be secured by collateral pledged by the financial institution and/or FDIC insurance. The Town of Roff is considered a separate entity from the Roff Public Works Authority for FDIC deposit insurance.

In accordance with GASB No. 3, deposits are to be classified into the following three categories:

1. Insured or collateralized with securities held by the entity or by its agent or in the entity's name (Referred to as category 1)
2. Collateralized with securities held by pledging financial institution's trust department or agent in the entity's name. (Referred to as category 2)
3. Uncollateralized, including any bank balance that is collateralized with securities held by the pledging institution, or by its trust department or agent but not in the entity's name. (Referred to as category 3)

All of the Town of Roff's government and enterprise fund cash and investment accounts would be considered as category 1 up to its FDIC limits of \$250,000 for the governmental funds and \$250,000 for the Roff Public Works Authority. The remaining funds would be category 3.

Note 3-Capital Assets and Depreciation

Capital Asset activity for the year ended June 30, 2021 was as follows:

Governmental Funds

	Beginning Balance	Increases	Decreases	Ending Balance
Vehicles & Equipment	588,485		-	588,485
Total	\$ 588,485	-		\$ 588,485
Accumulated Depreciation	(149,748)	(48,154)	-	(197,902)
Net Assets	<u>\$ 438,737</u>			<u>\$ 390,583</u>

Depreciation is computed using the straight line method of depreciation over the estimated useful lives of the assets. Assets are recorded at cost or their estimated fair market value for those assets where recorded were not available. Depreciation was allocated as follows:

Fire Department	48,154
Police Department	-
	<u>\$ 48,154</u>

Public Works Authority

	Beginning Balance	Increases	Decreases	Ending Balance
Water & Sewer System	380,200	-	-	380,200
Total	\$ 380,200	\$ 11,572		\$ 391,772
Accumulated Depreciation	(299,937)	(12,673)	-	(312,610)
Net Assets	<u>\$ 80,263</u>			<u>\$ 79,162</u>

Depreciation is computed using the straight-line method of depreciation over the estimated useful lives of the assets. Assets are recorded at cost or their estimated fair market value for those assets where recorded were not available. Depreciation of \$12,674 was charged to the sewer department.

Note 4- Notes Payable

As of June 30, 2021 the Roff Public Works Authority had a note payable outstanding to the United States Department of Agriculture. The note was for the renovation of the Authority's waste water treatment facility. The amount financed was \$380,200. The balance as of June 30, 2021 was \$227,963.02 and carries an interest rate of 4.5% with monthly payments of \$1,737. Collateral for this obligation is the renovated facility and resulting revenues. This obligation is considered to be a direct borrowing.

Principal and interest required to amortize this obligation to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>
2022	10,684	10,040
2023	11,175	9,549
2024	11,688	9,036
2025	12,225	8,499
2026	12,787	7,937
2027-2037	169,403	42,197
	<u>227,963</u>	<u>87,257</u>

Principal and interest paid on this obligation for the year ending June 30, 2021 was as follows:

Beginning Balance	238,178
Principal Paid	<u>(10,215)</u>
Ending Balance	<u>\$ 227,963</u>
Interest Paid	<u>\$ 10,509</u>

The Town was issued another Note Payable for purchase of a fire truck on 8/25/19. The amount financed was \$308,180. The balance as of June 30, 2021 was \$237,448.50, and the note carries an interest rate of 3.65% with monthly payments of \$3,361.30. This obligation is considered to be a direct borrowing.

Principal and interest required to amortize this obligation to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>
2022	32,204	9,132
2023	33,399	6,936
2024	34,639	5,697
2025	35,925	4,411
2026	37,258	3,078
27-2028	64,024	2,024
	<u>\$ 237,449</u>	<u>\$ 31,278</u>

Principal and interest paid on this obligation for the year ending June 30, 2020 was as follows:

Beginning Balance	268,500
Principal Paid	<u>(31,051)</u>
Ending Balance	<u>\$ 237,449</u>
Interest Paid	<u>\$ 9,284</u>

Note 5-Subsequent Events

Subsequent events have been evaluated through September 7, 2022, which is the date the financial statements were issued.

Note 6-Risk Management

The Town is exposed to various risks and loss related to torts; theft of, damage to, and destruction of assets; errors and omission; and natural disasters. Commercial insurance is used to cover general liability claims, worker, compensation and the risk of loss to Town buildings and mobile equipment. Judgment against the Town may be paid by a property tax assessment over a three-year period.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees
Roff, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Roff, Oklahoma as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town of Roff, Oklahoma's basic financial statements and have issued our report thereon dated March 9, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Roff, Oklahoma's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Roff, Oklahoma's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Roff, Oklahoma's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. Items 2021-1, 2021-2, 2021-3.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Roff, Oklahoma's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government*

Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as items. Item 2021-2

Town of Roff, Oklahoma's Response to Findings

Town of Roff, Oklahoma's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town of Roff, Oklahoma's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Russell & Williams CPA PC". The signature is written in a cursive, flowing style.

Oklahoma City, Oklahoma
September 7, 2022

Schedule of Findings and Questioned Costs

2021-1 Meter Deposit Accounting – Repeat Finding

CONDITION: During our audit we observed that the Town is not maintaining a detailed list of customers who have deposits with the Roff Public Works Authority. These funds are the deposits the customers give the Town when the customer commences utility service.

CRITERIA: Sound accounting policies dictate that all liabilities have adequate detail to support the balances.

CAUSE OF CONDITION: The meter deposit function that is available in the utility billing software has not been fully updated and utilized.

EFFECT OF CONDITION: The Town does not have an accurate accounting of who is due money and what the amount should be.

RECOMMENDATION: The Town staff should develop a detail list of individuals and the amounts due to each individual.

MANAGEMENT RESPONSE: Town staff is in the process of developing the required list.

2021-2 Fund Accounting

CONDITION: During our audit we discovered that the Town is not maintaining separate funds in its accounting system for the Town and Public Works Authority.

CRITERIA: Sound accounting policies dictate that Governmental and Enterprise funds be segregated.

CAUSE OF CONDITION: Unknown.

EFFECT OF CONDITION: The entity's accounting records were often unclear as to which expenses pertained to which fund, particularly regarding payroll. This makes tracking transfers between funds difficult, and it can result in lack of clarity when analyzing whether (and to what extent) one fund is supporting the other.

RECOMMENDATION: The entity should keep its accounting records so that revenues, expenditures, assets, liabilities, and fund balances are discretely reported for the General Fund and PWA.

MANAGEMENT RESPONSE: Management will consider the recommendation.

2021-3 – Payroll Accounting, Transfers

CONDITION: During our audit we discovered that the entity made numerous transfers from the general fund into the payroll account, which is assigned to the public works authority, for payroll. However, the transfers were not enough to cover general fund payroll expenditures. Additionally, the overall outflows from the payroll account were not sufficient to cover overall payroll expenditures. The logical conclusion is that the entity was making significant payroll expenditures directly out of accounts other than the payroll account.

CAUSE OF CONDITION: Unknown.

EFFECT OF CONDITION: Ideally, outflows from an account dedicated to payroll should closely match overall payroll expenditures for the entity. This makes it simple and easy to verify payroll expenditures. Failure to make the vast majority of payroll expenditures from the dedicated account defies the purpose of having the account.

RECOMMENDATION: The entity should ensure that the payroll account always has an adequate balance to cover payroll as it becomes due, and should avoid making payroll expenditures from other accounts.

RESPONSE: Management has already implemented this recommendation for the next fiscal year.

2021-3 Lack of Segregation of Duties- Repeat Finding

CONDITION: Currently, the Utility Billings Clerk and the Court Clerk is the same person. They not only input the monthly readings into the utility software and ticket system but also collect the payments that come into the office. They also have the ability to make adjustments to any account. This individual also prepares the deposit slips to be taken to the bank.

CRITERIA: Proper internal control requires a separation of record keeping from the associated assets or a system of management oversight to compensate for the lack of separation.

CAUSE OF CONDITION: Limited personnel and the ability of one person to have absolute access.

EFFECT OF CONDITION: The Town is susceptible to having errors or fraud occur with regard to utility billings and ticket fine collections.

RECOMMENDATION: The Town should separate the billing function, collection function and the recording of payments received. The alternative would be for management to establish a system of oversight where daily collections are reconciled to funds recorded as received in the software. Another alternative would be for the town to institute a policy of not accepting cash at town hall. This alternative would significantly reduce the likely of fraud or error from occurring.

MANAGEMENT RESPONSE: Management will consider the recommendation.